

Press Release

BB Asia Impex Private Limited (BBAIPL)

30 November, 2017



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.50 Cr.
Long Term Rating	SMERA BB/Stable
Short Term Rating	SMERA A4+

*Refer annexure for details

SMERA has reaffirmed the long term rating of '**SMERA BB**' (read as SMERA double B) and short term rating of '**SMERA A4+**' (read as SMERA A4 plus) on the above bank facilities of BB Asia Impex Private Limited (BBAIPL). The outlook is '**Stable**'.

The Chennai-based BB Asia Impex Private Limited (BBAIPL) was incorporated in 2004 by Directors, Mr. Om Prakash Agarwal, Mr. Ajay Kumar Agarwal, Mr. Raj Kumar Agarwal and Mr. Amit Kumar Agarwal. The company is engaged in the trading of polymers and chemicals. The Directors possess around three decades of experience in the aforementioned business and have established long term relations with suppliers and customers. The company has a diversified customer base in Tamil Nadu, Andhra Pradesh and Pondicherry.

Key rating drivers

Strengths

Long track record of operations, experienced management: The Petro group has long track record of operations in the industry. The promoters, Mr. Om Prakash Agarwal, Mr. Ajay Kumar Agarwal, Mr. Raj Kumar Agarwal and others have around three decades of experience in the industry.

SMERA believes that the Petro group will continue to benefit from its experienced management and long-standing relations with clients.

Improvement in operating margins: The operating margins improved from 5.05 per cent in FY2015-16 to 5.82 per cent in FY2016-17 (Provisional) due to decline in raw material cost.

However, the profitability remains moderate on account of the trading nature of business. The PAT margins stood at 0.75 percent in FY2017 as against 0.59 percent in FY2016.

Moderate financial risk profile: The financial risk profile is moderate marked by tangible networth of Rs.38.86 crore as on 31 March, 2017 (Provisional) as against Rs.36.15 crore as on 31 March, 2016. The networth comprises interest free unsecured loans (USL) from promoters

to the tune of Rs.14.55 crore as on 31 March, 2017, subordinated to bank debt. The gearing stood at 2.00 times as on 31 March, 2017 (Provisional) as against 1.68 times as on 31 March, 2016. The total debt of Rs. 77.80 crore as on 31 March, 2017 comprises majorly working capital loan of Rs. 73.09 crore, term loan of Rs. 2.05 crore and current portion of long term debt of Rs. 2.66 crore.

The Interest Coverage Ratio (ICR) stood at 1.22 times in FY2016-17 (Provisional) as against 1.21 times in FY2015-16.

SMERA believes that the Petro group will sustain its moderate financial risk profile in the absence of debt funded capex plans.

Weaknesses

Working capital intensive operations: The operations are working capital intensive marked by high gross current asset (GCA) days of 245 in FY2017 (Provisional) as against 207 days in FY2016. The high GCA days emanate from the collection and inventory holding period of 161 days and 85 days as on 31 March, 2017 (Provisional) respectively as against 173 days and 35 days during the previous year. Moreover, the working capital facility has been fully utilised, as confirmed by the banker.

Profitability remains susceptible to fluctuations in raw material prices: The profit margins are exposed to fluctuations in raw material prices since they are linked to crude prices. The pricing flexibility is also minimal considering the large number of players in the industry.

Competitive and fragmented industry: The Petro group operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits its bargaining power with customers.

Analytical approach: SMERA has consolidated the business and financial risk profiles of Petro Plast Industries Limited (PPIL) and BB Asia Impex Private Limited (BBAIPL) referred to as the Petro Group. The consolidation is in view of the common management, similarities in the business models and operational synergies.

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Trading Entities- <https://www.smerra.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that the group will maintain a Stable outlook and continue to benefit over the medium term from the promoters' extensive experience in the polymer and chemical trading business. The outlook may be revised to 'Positive', if the company registers increased revenue growth while sustaining improvement in its profit margins along with effective working capital management. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenue and profit margins. The outlook may also be affected by a major deterioration in the company's capital structure on account of higher-than-expected working capital requirements.

About the Rated Group – Key Financials

The Chennai-based Petro group comprises PPIL and BBAIPL incorporated in 1995 and 2004 respectively. The group, promoted by Mr. Ajay Kumar Agrawal, Mr. Om Prakash Agrawal and others, trades in polymers and chemical products. It caters to over 250 customers spread across Tamil Nadu, Andhra Pradesh and Pondicherry.

In FY2016-17 (Provisional), the group reported profit after tax (PAT) of Rs.1.94 crore on operating income of Rs.260.23 crore as against net profit of Rs.1.38 crore on operating income of Rs.232.38 crore in the previous year. The tangible net worth stood at Rs. 38.86 crore as on 31 March, 2017 as against Rs. 36.15 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
19 Sept, 2016	Cash Credit	Long Term	5.00	SMERA BB / Stable (Reaffirmed)
	Letter of Credit	Short Term	7.50	SMERA A4+ (Reaffirmed)
16 July, 2015	Cash Credit	Long Term	5.00	SMERA BB / Stable (Assigned)
	Letter of Credit	Short Term	7.50	SMERA A4+ (Assigned)

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	NA	NA	NA	5.00	SMERA BB / Stable (Reaffirmed)
Letter of Credit	NA	NA	NA	7.50	SMERA A4+ (Reaffirmed)

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ABOUT SMERA

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